



*DIVISION OF RATEPAYER ADVOCATES*

# Low-Income Briefing

April 27, 2011



# Overview:

## Energy Costs Still Unaffordable for Low-Income Households

- Low-income customers disproportionately face bill payment trouble.
  - ▶ Explore graduated discounts, debt management .
  - ▶ Because PG&E and SCE disconnection protections expire at the end of 2011, CPUC should require low-income disconnection benchmarks.
- On the horizon:
  - ▶ Prepaid electricity and “service limiter” features may jeopardize disconnection protections.
  - ▶ All customers will experience rate increases, and CARE customers may need special consideration to keep bills affordable.



# California State Law

*State law recognizes that electricity and gas service are basic necessities:*

- **PU Code 382 (b):** All Californians should be able to afford energy.
- **PU Code 379(c)(2):** Energy and gas services are necessities.
- **PU Code 2790:** Energy Efficiency is a way of reducing energy-related hardships for low-income customers. California law established Energy Efficiency programs for low-income customers in 1987 (Senate Bill 845).
- **PU Code 739.1:** Bill discounts for low-income customers began in 1989 (Senate Bill 987).



# Energy Assistance Program Eligibility

- **Programs:**
  - ▶ California Alternative Rates for Energy (CARE)
  - ▶ Energy Savings Assistance Program (formerly LIEE)
  - ▶ Family Electric Rate Assistance (FERA)
- **CARE and Energy Savings Assistance income limits (to begin June 2011):**
  - ▶ \$31,800 for households of 1-2 people
  - ▶ \$37,400 for 3 person households
  - ▶ \$45,100 for 4 person households
  - ▶ Increases \$7,700 for each additional person in the household
  - ▶ Those eligible for CARE are also eligible for Energy Savings Assistance
- **FERA (to begin June 2011):**
  - ▶ Households of 1-2 people are not eligible
  - ▶ \$37,401 - \$46,800 for 3 person households
  - ▶ \$45,101 - \$56,400 for 4 person households
  - ▶ Increases about \$10,000 for each additional person in the household



# Energy Assistance Programs:

## California Alternative Rates for Energy (CARE)

***Low-Income program objectives are to make energy affordable for all Californians, which can result in reduced bills and improve health, comfort, and safety in their homes.***

- Utilities must offer bill discounts: CARE
- CARE provides a minimum 20% discount on energy and gas bills and exemption from the higher tier electricity rates.
- Average savings for CARE customers ranged from \$79 to \$550 annually in 2010 (depending on the utility).
- About one in three California households statewide qualify for CARE (4 million out of 12 million).
- 93% of qualified households are enrolled in CARE (March 2011).





# Energy Assistance Programs:

## Energy Savings Assistance Program

- Officially changed program name to Energy Savings Assistance Program in March 2011 (formerly LIEE).
- Program provides free and/or reduced cost energy efficiency services to low-income households.
- Program provides customers with free services:
  - ▶ In-home energy assessment.
  - ▶ Retrofits, which may include more efficient appliances, insulation, compact fluorescent lights, and energy conservation education.
- Bill savings of home retrofits last for approximately 10 years, and save households approximately \$500 over the lifecycle of the installations (or \$50 per year).
- Program investment per household is approximately \$1,000.
- Nearly 25% of eligible households will have received program service by the end of 2011, on schedule to achieve the CPUC goal of reaching all eligible households by 2020.



# Energy Assistance Programs: Family Electric Rate Assistance (FERA)

- Created by CPUC in 2004 to assist large families whose usage bumps into Tier 3 (causing higher bills) but can't qualify for CARE.
- FERA is administered by the utilities in a similar manner as CARE.
- FERA provides a discount worth savings of \$200 annually for those enrolled.
- 56,000 households (about 13% of eligible) were enrolled in FERA in 2010.



# Key Findings: Energy Poverty

- Low-income households tend to use less energy than non-low-income households.
- Even though one-third of all California households are enrolled in CARE, varying degrees of poverty mean affordability is still an issue.
- California's proportion of households in poverty ranks 3<sup>rd</sup> after NY and DC, when adjusted for housing costs.
- Affordability Gap: difference between *actual* energy costs and *affordable* energy costs.\*
  - ▶ Estimate to close California affordability gap was **\$592 per household** for 2010.
  - ▶ California distributed about **\$375 per household** in 2010 (CARE, LIEE, LIHEAP, WAP, ARRA, utility emergency grants).

\* Affordable energy costs assumed to be 6% of income





# Energy Savings Assistance Program Improvements Required

- Annual Reports showed LIEE not achieving savings for many households, despite direction from D.08-11-031:
  - ▶ For every dollar spent on the program, households realize **\$0.44 in bill savings (2010)**.
  - ▶ For every dollar spent, when “non-energy benefits” are included, households realize **\$0.69 in benefits (2010)**.
- D.08-11-031 and CPUC rulings require the utilities to incorporate evaluation results and other updates into their next LIEE program cycle.
  - ▶ Increase correlation of program spending to savings.
  - ▶ Implement CPUC targeted customer priorities: High User, High Energy Burden, and Insecurity.
- **Solution:**
  - ▶ Delay Energy Savings Assistance Program Application review via 1-year bridge funding in order to incorporate findings from impact evaluations and audits.
  - ▶ Explicitly require applications to fix deficiencies of past years.
  - ▶ Improve the ratio of benefits to investment for more households.



# Disconnection Data Shines Light on Unaffordable Energy Bills

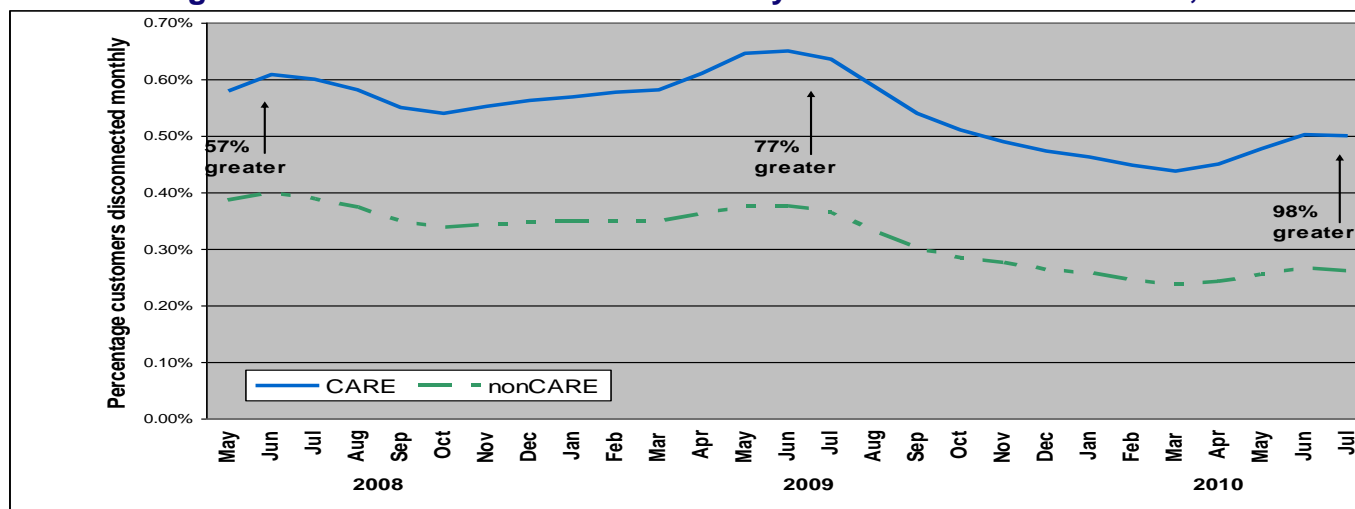
- DRA's 2009 Disconnection Report showed significant increases in disconnections, especially of low-income customers.
- DRA's 2011 Disconnection Report showed disconnections are only a symptom.
  - ▶ 2010 CPUC Rulemaking created temporary relief:
    - 3.65% All Residential
    - 5.52% CARE
  - ▶ 2010 record amount of energy assistance distributed:
    - \$1.8 billion (\$375/household, on average)
    - Nearly full CARE enrollment, Federal ARRA funds doubled federal assistance



# Low-Income Customers Without Disconnection Benchmark Protection Most At Risk

- CARE customers' utility bill debt over 60 days old as of Dec 2010:
- PG&E and SCE CARE customers owed \$59 million.
  - ▶ **An increase over same time last year: PG&E: 70%    SCE: 89%**
- SDG&E and SoCalGas CARE customers owed \$15 million.
  - ▶ **An increase over same time last year: SDG&E: 39%    SoCalGas: 34%**
- The disparity between low-income and non-low-income disconnection rates continues to worsen: 5.5 % low-income vs. 2.9% non-low-income.

**Percentage of Customers Disconnected Monthly - Four Utilities Combined, 2008-2010**



# Chronically Disconnected Households Pose Safety Risk

- In 2010, 33,000 low-income households were disconnected and never reconnected.
- Some portion of these households cannot afford essential energy services.
  - ▶ January 2011: 4 perish in Oakhurst using gas generator to heat home
  - ▶ January 2011: 2 perish in Willowbrook using their oven to heat their home
  - ▶ December 2010: 4 perish in Oakland fire caused by extension cords run from neighboring dwelling



# CARE Program Improvements Required

- Develop debt-pay-off component of energy assistance beyond current pay plan offerings.
- Make predictable bills a component of energy assistance.
  - ▶ Current utility programs such as “level pay” or “balanced pay” require customers to be current on utility bills in order to participate.
- Adjust discounts to take energy burden into account relative to income.
- **For those whom even the above improvements cannot help, DRA recommends the CPUC create a process through which utilities identify households chronically without electric and gas service.**





# CPUC Programs / Proceedings Impacting Low-Income Energy Customers

- Low-Income Programs
  - ▶ CARE
  - ▶ FERA
  - ▶ Energy Savings Assistance Program (formerly LIEE)
  - ▶ Low-Income Solar (SASH, MASH, thermal)
  - ▶ Energy Efficiency (Middle-Income, Mobile Home, etc)
- Disconnection Rulemaking
- Rates!
- Dynamic Pricing
- Greenhouse Gas Rulemaking
- Smart Meter Enabled Services
  - ▶ Prepaid Electricity
  - ▶ Service Limiters



# Current Bills

- AB 1124 (Skinner): Requires CPUC to authorize program to provide furnaces and hot water systems for rental buildings
  - ▶ ***DRA supports only in cases where benefits accrue to renters, and provided benefits of new services are first validated in small pilot***
- SB 142 (Rubio): Would eliminate tiered residential electricity rates
  - ▶ ***DRA opposes because would likely result in significant bill increases for vast majority of residential and low-income customers.***



# Upcoming Dates

- Low-Income Oversight Board Meeting in San Francisco, May 11
- Low-Income Program Application Deadlines May 15
- Phase II Disconnection proceeding underway, comment cycle May 20-31

